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C O N F I D E N T I A L SECTION 01 OF 03 PRAGUE 000547

SIPDIS

E.O. 12958: DECL: 04/15/2015

TAGS: [PGOV](#) [PREL](#) [EZ](#)

SUBJECT: CZECH GOVERNMENT CRISIS: PULLING BACK FROM THE
BRINK OF RESOLUTION - MORE UNCERTAINTY AND SPECULATION AHEAD

Classified By: Deputy Political Counselor Mark Canning for reasons 1.4
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[11.](#) (C) SUMMARY The agreement on a new version of the old government, reached by the chairmen and vice-chairmen of the three coalition parties after 8 hours of negotiations late on the night of April 13, was rejected 15 hours later by the leadership of CSSD, the main party in the coalition. Jan Kohout, who had been expected to lead the new government, has returned to Brussels and his position as Czech Ambassador to the EU. Two more ministers have resigned, bringing to seven the number of cabinet members waiting to have their resignations accepted by the president. Coalition junior partner Freedom Union says the coalition is dead. Some in CSSD say they expect PM Gross to try to form a minority government, although this is sure to further divide the party. President Klaus insists the only options now are patching up the agreement reached on April 13 or a caretaker government leading to early elections. We believe the latter to be the most likely scenario, although the limits imposed by the Constitution guarantee that the crisis will continue for some time as the President works to bring this about.
End Summary.

REPORTS OF MY BIRTH WERE PREMATURE

[12.](#) (SBU) The chairmen and vice chairmen of the three parties in the current Czech governing coalition met the evening of April 13 and, after more than 8 hours of difficult talks, seemed to have reached agreement on a new government that would replace the fractured coalition and bring an end to months of political uncertainty. Freedom Union vice chair, Frantisek Pelc, who participated in the talks, said in the end he was not sure exactly what the leaders had agreed to. In the week preceding the talks, PM Gross had proposed a non-political government, bringing back together the three parties and preserving their one-vote majority in Parliament, but without the leaders of any of the parties in the cabinet (himself included). So it was a surprise when Czechs woke up the morning of the April 14 to discover that the coalition partners had apparently agreed to form a new government that contained many of the faces of the old government, including the chairman and vice chairman of Freedom Union, two vice chairmen of the Christian Democrats, and two vice chairmen of CSSD.

[13.](#) (SBU) On the afternoon of the 14th, PM Gross presented the agreement to the President, who welcomed the news that the crisis might be coming to an end. That evening the broader leadership of each of the three parties met to give their approval to the deal. The coalition's two junior parties approved. But the CSSD leadership rejected it. In a strange turn of events, Gross himself led the CSSD vote against the deal that he had brokered the night before, claiming that the Christian Democrats had demanded too much -- including keeping their two vice chairmen in the government and taking over the important Ministries of Agriculture and Industry. Later on April 14 the remaining two Freedom Union ministers -- Nemec (Justice) and Kuehnl (Defense) -- resigned.

[14.](#) (C) CSSD surprise rejection of the deal -- which was designed to keep the current coalition partners in power until elections next summer, protecting the jobs of thousands of elected and unelected party officials -- generated surprise and rekindled animosity towards Gross that help spark the crisis in February. Although the Christian Democrats (KDU-CSL) initially reacted sharply to the CSSD decision, on April 15 KDU-CSL Chairman Kalousek offered an olive branch and announced there was still a small window open during which CSSD could reconsider and accept the April 13 agreement. When asked about the plans of the Freedom Union, Vice Chair Pelc said the party still felt that the agreement was an acceptable end to the government crisis. Pelc said the party had no plans to discuss the matter internally or negotiate with coalition partners. Pelc said he felt it was "unbelievable" that Gross had signaled acceptance of the agreement, presented the agreement to the president, and then attacked the agreement within his own party. Pelc said his party was stunned. He said they take it as a very bad sign for future cooperation.

CSSD REGULARS IN NO MOOD TO APPEASE CHRISTIAN DEMOCRATS

[15.](#) (C) Martin Turek, CSSD member and Deputy Chief of the

PM's Office, told us Gross had reservations about the agreement even during the negotiations. Turek said party members felt the agreement was too advantageous for Kalousek and the Christian Democrats. He said Kalousek and fellow Christian Democrat Jan Kasal could hardly contain their glee after the agreement was supposedly reached. Turek said that in the eyes of the CSSD leadership, Kalousek got everything he wanted: Gross's resignation, the removal of FM Svoboda, a rival within the Christian Democrat party, and he placed three of his highest level subordinates in the most remunerative ministries. Turek complained that the Christian Democrats had milked all they could out of the Ministry of the Environment under the old coalition, and were now being given, as part of the new coalition, the Ministry of Agriculture, believed to be the recipient of more than 2 billion dollars a year in government subsidies and EU funds. Turek also argued that it was shameful for Environment Minister Ambrozek, formerly charged with protection of the land, to suddenly switch to the Ministry of Agriculture, where he would be charged with commercial exploitation of the land. Finally, Turek expressed indignation at what he and other CSSD members perceive as a double standard on ethics. He argued that Gross has had to resign because of the inexplicable financing of his own apartment, but Kalousek hasn't been held accountable for the lack of clarity in his housing.

16. (C) Both Turek and Pelc pointed to divisions within CSSD itself concerning the agreement. Pelc said he could see during the negotiations that Gross had a different opinion than CSSD Vice Chairman Sobotka, the Finance Minister, or Lubomir Zaoralek, the Speaker of the Parliament. News reports confirm that Sobotka and Zaoralek had been willing to meet the demands of the Christian Democrats. These same reports hint that Zaoralek might be losing ground in his party for this, and for earlier public acknowledgment that early elections would be one way out of the crisis. Pelc also said it was clear that PM designate Jan Kohout had a very different idea of what the new government should look like than Gross did. Following the CSSD vote, Kohout flew back to Brussels and his job as Czech Ambassador to the EU.

17. (C) Another CSSD leader, Jan Prokes, currently working under the Christian Democrat Transport Minister Milan Smonovsky, said his party could not accept the presence of Christian Democrat ministers who had earlier resigned as part of an attempt to bring the government down. Prokes said the requirement that the new coalition be without coalition leaders meant no party chairmen and no vice chairmen. He said this would have applied to his own party as well, meaning that Sobotka would have had to give up one of the two positions, either CSSD vice chairman or Finance Minister, if he wanted to remain in the government. The same would have applied to vice chairman and Minister for regional Development Jiri Paroubek.

18. (C) Prokes said the party's Central Executive Committee would meet, possibly this weekend or next week, to decide what to do next. Prokes thinks the committee will choose to go it alone with a minority government. Both Turek and Prokes said that such a government would not have to rely on the communists for support, a move that would almost certainly cause widespread public dissatisfaction, and more departures from the cabinet. Both Turek and Prokes point out that much of the CSSD program is incompatible with the communist program.

19. (C) The constitution wouldn't require PM Gross to submit his minority government to parliament for a vote of confidence. As long as the PM stays in office, the constitution recognizes changes in the cabinet, even the entire cabinet, as personnel changes in the existing government, and not a new government. Prokes thought Gross would still submit the minority government to a confidence vote, as he earlier pledged to do. It is difficult to imagine how such a government would get through a vote of confidence without the support of the Communist party.

KLAUS PROMISES TO PREVENT MINORITY GOVERNMENT

10. (SBU) President Klaus made a public statement April 15 saying he thought the only two ways out of the impasse were to patch up this week's agreement (keep the same three parties running the government), or to have an interim government that prepares for early elections. He insisted there was no "third way" and that he would not permit the formation of a minority government. He called on the three party leaders to formally tell him whether or not they consider the April 13 agreement to have any future. If the answer is no, then he will start negotiations with the parties on formation of an interim government and approval for early elections.

11. (C) However Klaus's authority in this regard is limited. Klaus cannot dissolve parliament nor can he force Gross to agree to early elections. Parliament needs to approve a bill

shortening their term. Seven of Gross's 18 cabinet ministers have resigned, though Klaus has not accepted any of the resignations. The ministers are all continuing in their functions, though to a much more limited degree. According to the constitution, Klaus must accept the resignations; however, no deadlines are imposed. If Klaus were to accept the resignations now, Gross would likely nominate CSSD members or nonpartisans to fill the spots. Thus Klaus's extra-constitutional decision to not act on the resignations is his method of preventing creation of a minority government and keeping pressure on Gross to negotiate on his terms. If three more ministers resign (and more than three have indicated they would resign if a minority government dependent on Communist support became a reality), then these ten ministers could approve a pending cabinet motion for the government as a whole to resign, freeing Klaus to appoint a new government.

12. (C) COMMENT. Gross has clearly lost control of the situation, angering some of his most loyal supporters in the party (Sobotka and Zaoralek), angering the President (who had publicly endorsed the April 13 deal just hours before CSSD killed it), and rekindling the animosity with Kalousek. His days as head of government are numbered. Of the three options on the table -- minority CSSD government, resurrecting the three-party coalition on the basis of the April 13 agreement, or caretaker government leading to early elections -- the latter is now the most likely. The idea of a minority government with Communist support will generate enough resignations to bring down the government; we are also increasingly hearing it will trigger public protests. There is always a chance that the instinct of self-preservation will force the CSSD to reconsider the April 13 agreement, but Gross may already have divided the party to such an extent that they will never be able to agree on a rational division of seats (the left-wing of the party appeared to have almost no positions of power under the April 13 agreement). Bringing about early elections will not be easy, which is why the crisis is likely to continue for some time. But Klaus has demonstrated that he is already willing to stretch the limits of his constitutional authority to deal with the situation. We certainly expect that any interim government under this scenario would be heavily influenced by the President (which should, on balance, be a positive in terms of foreign policy and transatlantic relations).

HILLAS